



NEWS

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This is an unofficial announcement of Commission action. Release of the full text of a Commission order constitutes official action.
See *MCI v. FCC*, 515 F.2d 385 (D.C. Cir. 1974).

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FCC ELIMINATES RULES IN ORDER TO EXPAND LONG DISTANCE COMPETITION

Rule Change Allows Local Phone Companies to Integrate Certain Local and Long Distance Service Operations

Washington, DC – The Federal Communications Commission (FCC) today acted to improve telephone service for consumers by eliminating certain of the FCC’s “operate independently” rules. Permitting the sharing of these limited internal functions that BOCs and their long distance affiliates formerly had to separately perform will provide efficiency gains and should translate to savings of millions of dollars in yearly operational costs that likely will be passed on to the BOCs’ long distance consumers.

The “operate independently” rules were adopted in 1996 by the FCC to implement section 272 of the Telecommunications Act’s separate affiliate requirements. These rules prohibited a BOC’s local service operations and its long distance affiliate from: 1) providing operating, installation, and maintenance (OI&M) services; and 2) jointly owning switching and transmission facilities.

Today’s action eliminates the OI&M requirements, but retains the prohibition against joint ownership of switching and transmission facilities. The FCC concluded that the OI&M sharing prohibition is an overbroad means of preventing cost misallocation or discrimination by BOCs against unaffiliated rivals. Furthermore, the FCC concluded that the existing non-structural safeguards – including the cost allocation and affiliate transaction rules – are well-tailored and sufficient to provide effective protections against anti-competitive behavior.

OI&M functions generally include all activity related to installing, operating, and maintaining switching and transmission facilities, such as network operations monitoring and customer trouble report management. Under the OI&M rule, BOCs and their long distance affiliates had to maintain separate work forces to perform these functions. Now, BOCs and their long distance affiliates will be able to use a single set of employees to perform OI&M services for both their local and long distance networks.

Today's Order also grants SBC's request for modification of the *SBC/Ameritech Merger Order* conditions related to OI&M services to the extent that they are incorporated into the conditions of the 2002 *SBC Advanced Services Forbearance Order*.

-FCC-

Docket Nos.: WC 03-228; CC 96-149, 98-141, 01-337

Action by the Commission March 11, 2004, by Report and Order and Memorandum Opinion and Order (FCC 04-54). Chairman Powell, Commissioners' Abernathy, and Martin; with Commissioners Copps and Adelstein concurring. Separate statements issued by Chairman Powell, Commissioners Abernathy, Copps, and Adelstein

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